

Contact Information

CGM Focus Fund

c/o The CGM Funds
P.O. Box 449
Boston, MA 02117

Shareholder Servicing Agent

CGM Shareholder Services
c/o Boston Financial Data Services, Inc.
P.O. Box 8511
Boston, MA 02266

Investment Manager

Capital Growth Management
Limited Partnership
One International Place
Boston, MA 02110

Transfer and Dividend Paying Agent and Custodian of Assets

State Street Bank and Trust Company
Boston, MA 02102

More information about this Fund is available free by calling 800-345-4048, including the following:

Annual/Quarterly Reports

Additional information about the Fund's investments is available in the Fund's annual and quarterly reports to shareholders. In the Fund's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

Statement of Additional Information (SAI)

The SAI provides more detailed information about the Fund and is incorporated into this prospectus by reference (i.e. is legally considered part of it).

For additional information about:

- | | |
|-----------------------------|----------------------------|
| • Account procedures/status | • Prospectuses |
| • Redemptions | • SAI |
| • Exchanges | • Annual/Quarterly Reports |
| • New account procedures | • Performance |

Call CGM Shareholder
Services at 800-343-5678

Call CGM Marketing
Department at 800-345-4048

Information about the Fund (including the SAI) is also available from the Securities and Exchange Commission. You can find it on the SEC's Internet site at <http://www.sec.gov>. You can receive copies of Fund information upon payment of a duplicating fee by electronic request at the following e-mail address: publicinfo@sec.gov, or by sending your request and a duplicating fee to the SEC's Public Reference Section, Washington, DC 20549-6009. Information can also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. You can get information on the operation of the Public Reference Room by calling the SEC at 1-202-942-8090.

FFP00

SEC File No. 811-82

CGM Focus Fund

A No-Load Fund



*The Fund's
investment objective
is long-term growth
of capital.*

Prospectus & Application • May 1, 2000

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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FUND SUMMARY

Investment Objective

The Fund's investment objective is long-term growth of capital.

Summary of Principal Investment Strategies

The Fund is non-diversified and intends to pursue its objective by concentrating its investments in the equity securities of a smaller number of companies than more diversified mutual funds. The Fund typically invests in 15 to 35 companies at a time. The Fund is flexibly managed, with the ability to invest in different industry sectors and in foreign issuers. The Fund may invest in companies regardless of the size of their market capitalization, but primarily invests in companies with market capitalizations of at least \$30 million. The investment manager invests both in companies that are attractively valued and that have the potential for growth.

Should the investment outlook of the investment manager so warrant, the Fund may use a variety

of investment techniques designed to capitalize on declines in the market prices of equity securities or declines in market indexes. For example, the Fund may establish short positions in specific securities or stock indexes through short sales. The Fund may engage in short sales when the investment manager anticipates a decline in the market price of a security.

The Fund may borrow for the purpose of purchasing portfolio securities and other instruments.

In making an investment decision, the investment manager analyzes:

- the overall economic factors that may affect a potential investment, and
- certain industries and companies, evaluating the fundamentals of each on a case-by-case basis and focusing on companies that it determines are attractively valued.

The investment manager will sell a security if it determines that:

- its investment expectations are not being met,
- better opportunities are identified, or
- its price objective has been attained.

Summary of Principal Risks

Like all mutual funds, you may lose money if you invest in the Fund. As a **non-diversified** mutual fund, the Fund is able to take larger positions in a smaller number of companies than a more diversified fund. Therefore, when the value of one of the Fund's holdings changes, this is likely to have a greater effect on the Fund's overall performance than on the performance of a more diversified fund.

The Fund's investments are subject to the **market risks** inherent in all securities. This means that you may lose money on your investment due to a fall in prices of stocks or periods of below-average performance in the stock market.

The Fund's use of **short sales** involves additional investment risks and transaction costs. While short sales can be used to further the Fund's investment objective, under certain market conditions they can increase the volatility of the Fund and may lower the Fund's return or result in losses, which potentially may be unlimited.

The Fund's **borrowing** may increase the Fund's volatility, and interest and other borrowing costs may exceed the gain on securities purchased with borrowed funds. The Fund may borrow from banks in an amount not to exceed one-third of the value of its total assets and may borrow for temporary purposes from entities other than banks in an amount not to exceed 5% of the value of its total assets.

Investments in **small and medium-sized companies** involve greater risk than is customarily associated with more established companies because these stocks may be more volatile and have returns that vary significantly from the overall market.

The **foreign issuers** the Fund may invest in directly or indirectly through depository receipts (receipts representing the right to receive the securities of foreign issuers deposited in U.S. banks or a local branch of a foreign bank) are subject to risks of possible adverse political and economic developments.

Because the Fund may also invest in debt and fixed-income securities, it is subject to **credit risk** (the risk

that the obligor will default in the payment of principal and/or interest) and to **interest rate risk** (the risk that the market value of the securities will decline as a result of increases in market rates of interest).

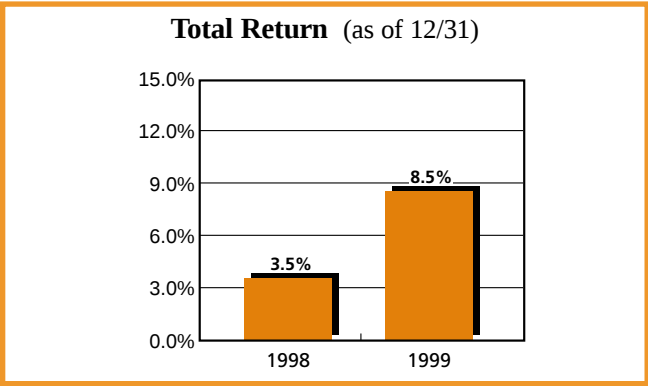


PAST PERFORMANCE

The bar chart and table below show the Fund's annual returns and its long-term performance, and provide some indication of the risks of investing in the Fund.

The bar chart shows how the Fund's performance has varied from year to year. The table compares the Fund's performance over time for the periods indicated to that of the Standard and Poor's 500 Composite Index, a widely recognized unmanaged index of common stock prices.

Both the bar chart and the table assume reinvestment of dividends and distributions. The Fund's past performance does not necessarily indicate how the Fund will perform in the future.



During the two-year period shown in the bar chart, the highest quarterly return was 23.7% (for the quarter ended 12/31/98) and the lowest quarterly return was -27.2% (for the quarter ended 9/30/98).

Average Annual Total Return (as of 12/31/99)

	1 Year	Since Inception (9/3/97)
Fund	8.5%	2.2%
S&P 500 Index	21.0%	23.4%



EXPENSES

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Schedule of Fees

Shareholder Transaction Expenses (fees paid directly from your investment)

Maximum Sales Charge (Load) Imposed on Purchases _____	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends _____	None
Redemption Fee* _____	None
Exchange Fee _____	None

Annual Fund Operating Expenses (expenses that are deducted from Fund assets) (as a percentage of average net assets, based on expenses for year ended 12/31/99)

Management Fees _____	1.00%
Distribution (12b-1) Fees _____	None
Other Expenses _____	0.55%
Total Fund Operating Expenses _____	1.55%**

*A wire fee (currently \$5.00) will be deducted from proceeds if a shareholder elects to transfer redemption proceeds by wire.

**The Fund's investment manager has voluntarily agreed, until December 31, 2000, to waive its management fees and, if necessary, to bear certain expenses associated with operating the Fund, to the extent necessary to limit the Fund's total operating expenses to an annual rate of 1.20% of the Fund's average net assets, exclusive of any dividend expense incurred on short sales. As a result, the actual total fund operating expenses for the year ended December 31, 1999 were 1.21%. These fee waivers and reimbursements may be reduced or terminated at any time.

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The example assumes that:

- you invest \$10,000 in the Fund for the time periods indicated;
- you redeem your shares at the end of each period;
- your investment has a 5% return each year (the assumption of a 5% return is required by the SEC and is not a prediction of the Fund's future performance); and

- the Fund's operating expenses remain the same, before taking into consideration any fee waivers or reimbursements.

Although your actual costs may be higher or lower, under these assumptions your costs would be:

Number of years	<u>1</u>	<u>3</u>	<u>5</u>	<u>10</u>
Cost	\$158	\$490	\$845	\$1,845



ADDITIONAL FUND INFORMATION

The Fund's objective and principal investment strategies, and the main risks of investing in the Fund, are summarized at the beginning of this prospectus. More information on investment strategies, investments and risks appears in this section. These are the strategies that, in the opinion of the Fund's investment manager, are most likely to be important in trying to achieve the Fund's investment objective. There can, of course, be no assurance that the Fund will achieve its investment objective. The Fund's objective may be changed without shareholder approval.

The Fund may also use strategies and invest in securities that are not described below but which are described in the Statement of Additional Information ("SAI"). Of course, the Fund's investment manager may decide, as a matter of investment strategy, not to use the investments and investment techniques described below and in the SAI at any particular time.

The Fund may also depart from its principal investment strategies by taking temporary defensive positions in response to adverse market, economic or political conditions. When doing so, the Fund may hold a substantial portion of its assets in cash or investment grade fixed-income securities and may not be pursuing its investment objective.

Principal Investment Strategies

The Fund is non-diversified and intends to pursue its objective by concentrating its investments in the equity securities of a smaller number of companies than more diversified mutual funds. The Fund is flexibly managed, with the ability to invest in different industry sectors and in foreign issuers. The Fund may invest in companies regardless of the size of their market capitalization.

Should the investment outlook of the investment manager so warrant, the Fund may use a variety of

investment techniques designed to capitalize on declines in the prices of equity securities of one or more companies or declines in market indexes. For example, the Fund may establish short positions in specific securities or stock indexes through short sales or investments in a variety of derivative instruments, including options, futures contracts and options on futures. The Fund may also establish long positions in specific securities or stock indexes through options, futures contracts and options on futures.

The Fund may borrow for the purpose of purchasing portfolio securities and other instruments. This involves special risks.

Management Style. Rather than following a particular investment style, the Fund's investment manager employs a flexible approach and seeks to take advantage of opportunities as they arise. In making an investment decision, the Fund's investment manager will generally employ the following method:

- It uses a top-down approach, meaning that it first analyzes the overall economic factors that may affect a potential investment.
- It then conducts a thorough analysis of certain industries and companies, evaluating the fundamentals of each on a case-by-case basis and focusing on companies that it determines are attractively valued.
- The investment manager will sell a security if it determines that its investment expectations are not being met, if better opportunities are identified, or if its price objective has been attained.

Portfolio Turnover. The Fund's objective is long-term growth of capital. The Fund will, however, sell any particular security and reinvest proceeds when it is deemed prudent by the Fund's investment manager, regardless of the length of the holding period. Frequent trading involves higher securities transaction costs which may adversely affect the Fund's performance. To the extent that this policy results in the realization of gains on investments, the Fund will make distributions to its

shareholders. These distributions will generally be subject to taxes.

The Fund's portfolio turnover rate may exceed 300%. The Fund's investments in short sales and options and futures contracts that mature in less than one year are excluded for purposes of computing the Fund's portfolio turnover.

Principal Risks

Investing in a mutual fund involves risk. Before investing, you should consider the risks you will assume. Some of these risks are described below. More information about risks appears in the Fund's SAI. Remember that you may receive little or no return on your investment in the Fund. You may lose money if you invest in the Fund.

Market Risk. This is the risk that the prices of securities will rise or fall due to changing economic, political or market conditions, or due to a company's individual situation. The value of the Fund's shares will change daily as the value of its underlying securities change. This means that your Fund shares may be worth more or less when you sell them than when you bought them. Historically, equity securities have been more volatile than debt or fixed-income securities.

Lack of Diversification. The Fund generally takes larger positions in a smaller number of companies than a more diversified fund. Therefore, when the value of one of the Fund's holdings changes, this is likely to have a greater effect on the Fund's overall performance than on the performance of a more diversified fund.

Small and Medium Capitalization Companies. The securities of small and medium capitalization companies may have more risks than those of larger, more seasoned companies. They may be particularly susceptible to market downturns because of limited product lines, markets, distribution channels or financial and management resources. Also, there may be less publicly available information about small and medium cap companies. Investments in

small and medium cap companies may be in anticipation of future products or services to be provided by the companies. If those products or services are delayed, the prices of the securities of the companies may drop. Sometimes, the prices of the securities of small and medium cap companies rise and fall based on investor perception rather than economics. Securities of small and medium cap companies may be thinly traded, making their disposition more difficult. For all these reasons, the prices of the securities of small and medium cap companies may be more volatile, causing the Fund's share price to be volatile. Funds that invest a higher percentage of their assets in small and medium cap stocks are generally more volatile than funds investing a higher percentage of their assets in larger, more established companies.

Short Sales. The Fund's use of short sales involves additional investment risks and transaction costs. While short sales can be used to further the Fund's investment objective, under certain market conditions, they can increase the volatility of the Fund and decrease the liquidity of the Fund. If the Fund uses short sales at inappropriate times or judges market conditions incorrectly, such investments may lower the Fund's return or result in a loss.

The Fund's potential loss from an uncovered short position in an equity security or stock index resulting from a short sale or the sale of a futures contract is unlimited. The Fund also could experience losses if these investment techniques were poorly correlated with its other investments, or if the Fund were unable to liquidate its position because of an illiquid secondary market.

Borrowing. The Fund may borrow money in order to increase its holdings of portfolio securities. Borrowing will exaggerate the effect of any increase or decrease in the market price of securities in the Fund's portfolio on the Fund's net asset value and, therefore, may increase the volatility of the Fund. Money borrowed will be subject to

interest and other costs. These costs may exceed the gain on securities purchased with borrowed funds.

Foreign Issuers. The Fund may invest a portion of its assets in foreign issuers. Investing in foreign issuers involves risks in addition to those of investing in U.S. securities, including risks relating to political, social and economic developments abroad and risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject.

Debt and Fixed-Income Securities. While the Fund expects to invest primarily in equity securities, the Fund may also invest in debt and fixed-income securities. Debt and fixed-income securities are subject to credit risk (the risk that the obligor will default in the payment of principal and/or interest) and to interest rate risk (the risk that the market value of the securities will change as a result of changes in market rates of interest). These securities are also subject to the risk that interest rate changes may affect prepayment rates and their effective maturity.



MANAGEMENT

The Investment Manager

The Fund's investment manager is Capital Growth Management Limited Partnership ("CGM"), One International Place, Boston, Massachusetts, 02110. CGM, an investment advisory firm founded in 1990, manages the Fund's daily investment and business affairs subject to the policies established by the Fund's Board of Trustees. CGM manages nine mutual fund portfolios and advisory accounts for other clients.

In 1999, the Fund paid 0.65% of its average annual net assets in management fees to CGM, after waivers and reimbursements.

The Portfolio Manager

G. Kenneth Heebner has been the portfolio manager of the Fund since its inception in 1997. In 1990, Mr. Heebner founded CGM with Robert L. Kemp. Prior to establishing the new company, Mr. Heebner managed mutual fund portfolios at Loomis, Sayles & Company, Incorporated. In addition to the Fund, he currently manages CGM Capital Development Fund, CGM Mutual Fund, CGM Realty Fund, and, with Janice H. Saul, co-manages CGM Fixed Income Fund.



HOW TO PURCHASE SHARES

The Fund sells its shares directly to investors without any sales load.

New Accounts

You may make a purchase of Fund shares in a new regular account or retirement plan account by submitting a completed application form and check, made payable to CGM Focus Fund, to:

The CGM Funds
P.O. Box 449
Boston, Massachusetts 02117-0449

The minimum initial investment is \$2,500 for regular accounts and \$1,000 for retirement plans (see "Shareholder Services—Retirement Plans") and accounts set up under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act.

Existing Accounts

After your account has been established, you may send subsequent investments at any time directly to the shareholder servicing agent at:

CGM Shareholder Services
c/o Boston Financial Data Services, Inc.
P.O. Box 8511
Boston, Massachusetts 02266-8511

You must include either the Additional Investment Stub detached from an account statement or a note containing sufficient information to identify the account (i.e. the Fund name, your account number, your name and social security number). Subsequent investments must be at least \$50.

Payment by Check

If you pay for Fund shares by check, your check should be in U.S. dollars and made payable to CGM Focus Fund. Third party checks (i.e. checks not payable to CGM Focus Fund) are generally not accepted and checks drawn on credit card accounts are not accepted.

Payment by Wire

You may also make subsequent investments by federal funds wire. Instruct your bank to wire federal funds to State Street Bank and Trust Company, ABA #011000028. The text of the wire should read as follows: "DDA99046336, \$ Amount, STATE ST BOS ATTN Mutual Funds. Credit CGM Focus Fund, Shareholder Name, Shareholder Account Number." Your bank may charge you a fee for transmitting funds by wire.

Additional Information

If you wish transactions in your account to be effected by another person under a power of attorney from you, special rules apply. Please contact the Fund or CGM Shareholder Services for details.

An investor will not receive any certificates for shares unless the investor requests them in writing from CGM Shareholder Services. The Fund's system for recording investments eliminates the problems of handling and safekeeping certificates.

The price you pay will be the per share net asset value next calculated after your proper investment order is received by the Fund (in the case of your initial investment) or by CGM Shareholder Services (in the case of subsequent investments).

The Fund may reject any purchase order and may suspend, change or withdraw the offering of its shares.



SHAREHOLDER SERVICES

The Fund offers the following shareholder services as more fully described in the Fund's SAI. Explanations and forms are available from the Fund.

Exchange Privilege

You may exchange your shares of CGM Focus Fund for shares of CGM Mutual Fund, CGM Fixed Income Fund, CGM American Tax Free Fund and CGM Realty Fund. You may also exchange your shares for shares of money market funds distributed by Nvest Funds Distributor, L.P.

Additionally, you may exchange shares of CGM Focus Fund for shares of CGM Capital Development Fund, but only if you were a shareholder of CGM Capital Development Fund on September 24, 1993, and have remained a shareholder in CGM Capital Development Fund continuously since that date. CGM Capital Development Fund shares are not generally available to other persons except in special circumstances that have been approved by, or under the authority of, the Board of Trustees of CGM Capital Development Fund as described in the SAI.

All exchanges are free of charge, except exchanges of all shares from a CGM Retirement Plan account, which will incur an account close out fee. You may make an exchange by written instruction or, if a written authorization for telephone exchange is on file with CGM Shareholder Services, you may call 800-343-5678. See "Telephone Transactions" on page 11. Exchange requests cannot be revoked once they have been received in good order. Under certain circumstances, before an exchange can be made, additional documents may be required to

verify the authority or legal capacity of the person seeking the exchange.

Exchanges must be for amounts of at least \$1,000. If you wish to make an exchange into a new account, the exchange must satisfy the applicable minimum initial investment requirement.

You should not view the exchange privilege as a means for taking advantage of short-term swings in the market, and the Fund limits the number of exchanges you can make to four exchanges per account (or two round trips) per calendar year. Monthly automatic exchanges from money market funds distributed by Nvest Funds Distributor, L.P. to the Fund are not subject to this restriction. The Fund also reserves the right to prohibit exchanges during the first 15 days following an investment in the Fund.

For federal income tax purposes, an exchange constitutes a sale of shares, which may result in a capital gain or loss.

The Fund may terminate or change the terms of the exchange privilege at any time.

Systematic Withdrawal Plan (“SWP”)

If the value of your account is at least \$10,000, you may have periodic cash withdrawals automatically paid to you or any person you designate. For federal income tax purposes, a withdrawal under the SWP constitutes a sale of shares, which may result in a capital gain or loss. If checks are returned to the Fund as “undeliverable” or remain uncashed for more than six months, the plan will be cancelled. Any undeliverable or uncashed check(s) will be cancelled and the amount(s) will be reinvested in the Fund at the per share net asset value determined as of the date of cancellation of the check(s). No interest will accrue on amounts represented by uncashed distribution or redemption checks. The Fund may terminate or modify the SWP at any time.

Automatic Investment Plan (“AIP”)

Once your account has been established, voluntary monthly investments of at least \$50 may be made automatically by pre-authorized withdrawals from your checking account. Please contact CGM Shareholder Services at 800-343-5678 to determine the requirements associated with debits from savings banks and credit unions. Debits from money market accounts are not acceptable.

You may terminate your participation in the AIP by sending written notice to CGM Shareholder Services or by calling 800-343-5678 more than 14 days prior to the next scheduled debit date. The Fund may terminate your participation in the AIP immediately in the event that any item is unpaid by your financial institution. The Fund may terminate or modify the AIP at any time.

Retirement Plans

The Fund’s shares may be purchased by tax-deferred retirement plans. CGM makes available retirement plan forms and plan documents for Traditional and Roth IRAs, SEP-IRAs, 403(b)(7) Custodial Accounts, and Money Purchase Pension and Profit Sharing Plans (“CGM Retirement Plans”).

Confirmation Statements

Shareholders will receive statements confirming all purchases, redemptions and changes of address. You may call CGM Shareholder Services and request a duplicate statement for the current year without charge. A fee will be charged for any duplicate information requested for prior years.

Shareholder Reports

Shareholders will receive the Fund’s financial statements and a summary of the Fund’s investments at least semiannually. The Fund intends to consolidate mailings of annual, semiannual and quarterly reports to households having multiple accounts with the same address of record and to

furnish a single copy of each report to that address. Mailings of prospectuses and proxy statements will not be consolidated and if a report is included in such mailings each shareholder will receive a separate copy. You may request additional reports by notifying the Fund in writing, or by calling the Fund at 800-345-4048.



HOW TO SELL SHARES

You can sell (redeem) all or part of your shares in the Fund in three different ways:

- by sending a written request for a check or wire representing the redemption proceeds,
- except for CGM Retirement Plans, by making a telephone request for redemption by check (provided that the amount to be redeemed is not more than \$25,000 and the check is being sent to you at your address of record, which has not changed in the prior three months), or
- except for CGM Retirement Plans, by making a telephone request for redemption proceeds to be wired to a bank account that you have predesignated.

The redemption price will always be the net asset value per share next determined after the redemption request is received by CGM Shareholder Services in good order (including any necessary documentation). Necessary documentation may include, in certain circumstances, documents verifying the authority or legal capacity of the person seeking to redeem shares. Redemption requests cannot be revoked once they have been received in good order.

For federal income tax purposes, a redemption is a taxable event and may result in a capital gain or loss.

Written Redemption Requests

If you elect to redeem shares in writing, send your written request to:

CGM Shareholder Services
c/o Boston Financial Data Services, Inc.
P.O. Box 8511
Boston, Massachusetts 02266-8511

The written request must include the name of the Fund, your account number, the exact name(s) in which your shares are registered, the number of shares or the dollar amount to be redeemed and mailing or wire instructions. All owners of shares must sign the request in the exact name(s) in which the shares are registered (which appear(s) on your confirmation statement) and should indicate any special capacity in which they are signing (such as trustee or custodian or on behalf of a partnership, corporation or other entity). If you are signing in a special capacity, you may wish to contact CGM Shareholder Services at 800-343-5678 in advance to determine whether additional documentation will be required before you send a redemption request.

Redemptions from CGM Retirement Plans for which State Street Bank is the custodian or trustee must contain additional information. Please contact CGM Shareholder Services for instructions and forms. Complete information, including tax withholding instructions, must be included in your redemption request.

If you are redeeming shares worth more than \$25,000, requesting that the proceeds check be made payable to someone other than the registered owner(s) or be sent to an address other than your address of record (or sent to your address of record if such address has been changed within the previous three months), or requesting that the proceeds be wired to a bank account that you have not predesignated, you must have your signature guaranteed by an “eligible guarantor institution” as defined in the rules under the Securities Exchange Act of 1934 (including a bank, broker, dealer, credit union, national securities exchange, registered secu-

rities association, clearing agency or savings association, but not a notary public).

If you hold certificates representing your investment, you must enclose the certificates and a properly completed redemption form or stock power. You bear the risk of loss of such certificates; consequently, you may wish to send your certificates by registered mail.

Telephone Redemption Requests

If you elect to redeem shares by telephone, call CGM Shareholder Services directly at 800-343-5678. See “Telephone Transactions” on the next page. Telephone redemptions are not available for CGM Retirement Plans. When you make a redemption request by telephone, you may choose to receive redemption proceeds either by having a check mailed to the address of record on the account (provided the address has not changed within the previous three months and you are redeeming \$25,000 or less) or by having a wire sent to a bank account you have previously designated.

Telephone redemptions by check are available to all shareholders of the Fund (except CGM Retirement Plans) automatically unless this option is declined in the application or otherwise in writing. You may select the telephone redemption wire service when you fill out your initial application or you may select it later by completing a Service Options Form (with a signature guarantee), available from the Fund or CGM Shareholder Services.

A telephone redemption request must be received by CGM Shareholder Services prior to the close of the New York Stock Exchange. If you telephone your request to CGM Shareholder Services after the Exchange closes or on a day when the Exchange is not open for business, the Fund cannot accept your request and a new one will be necessary.

Wire redemptions by telephone may be made only if your bank is a member of the Federal Reserve System or has a correspondent bank that is a member of such System. If your account is with a savings bank, it must have only one correspondent bank that is a member of the Federal Reserve System. A wire fee (currently \$5) will be deducted from the proceeds. If you decide to change the bank account to which proceeds are to be wired, you must send in this change on a Service Options Form with a signature guarantee.

Redemption Proceeds

Proceeds resulting from a written or regular telephone redemption request will normally be mailed to you within five business days after receipt of your request in good order. Telephone wire redemption proceeds will normally be wired to your bank within five business days following receipt of a proper redemption request.

If you purchased your Fund shares by check (or through an automatic investment plan) and elect to redeem shares within 15 days of the purchase, you may experience delays in receiving redemption proceeds. The Fund will generally postpone sending your redemption proceeds from an investment until the Fund can verify that your check (or automatic investment plan investment) has been or will be collected. There will be no such delay for redemptions following investments paid for by federal funds wire or by bank cashier’s check, certified check or treasurer’s check.

If checks representing redemption proceeds are returned “undeliverable” or remain uncashed for six months, the checks will be cancelled and the proceeds will be reinvested in the Fund at the per share net asset value determined as of the date of cancellation of the checks. No interest will accrue on amounts represented by uncashed distribution or redemption checks.

Postponement of Redemption Proceeds or Suspension of Redemption Right

The Fund may postpone payment of redemption proceeds for up to seven days from the date of the redemption. The Fund may not postpone payment for more than seven days or suspend the right of redemption, except: if you purchased your Fund shares by check (or through an automatic investment plan) and redeem shares within 15 days of the purchase as described in the preceding section, when the New York Stock Exchange is closed for other than weekends or holidays, when trading on the Exchange is restricted, during an emergency (as determined by the SEC) which makes it impracticable for the Fund to dispose of its securities or to determine fairly the value of its net assets, or during any other period permitted by the SEC for the protection of investors.

Redemption in Kind

The Fund will normally redeem shares for cash; however, the Fund reserves the right to pay the redemption price wholly in kind or partly in kind and partly in cash if the Board of Trustees of the Fund determines it to be advisable in the interests of the remaining shareholders. If portfolio securities are distributed in lieu of cash, the shareholder will normally incur brokerage commissions upon subsequent disposition of any such securities.

Minimum Account Balance and Automatic Redemption

Because the expense of maintaining small accounts is disproportionately high, the Fund may close accounts with 20 shares or less, and mail the proceeds to the shareholder. Shareholders who are affected by this policy will be notified of the Fund's intention to close the account and will have 60 days immediately following the notice in which to acquire the requisite number of shares. The minimum does not apply to CGM Retirement Plans or accounts set up under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act.



TELEPHONE TRANSACTIONS

You may initiate three types of transactions by telephone:

- telephone exchanges;
- telephone redemptions by wire; and
- telephone redemptions by check.

The terms and provisions for each of these services are explained fully in the preceding sections. Once a telephone transaction request has been placed, it cannot be revoked.

You must select the telephone exchange privilege and/or telephone redemption by wire privilege when you fill out your initial application or you may select either option later by completing a Service Options Form (with a signature guarantee) available from the Fund or CGM Shareholder Services. The telephone redemptions by check privilege is available automatically unless you decline this option in the application or otherwise in writing.

The telephone redemption privileges are not available for Traditional or Roth IRAs, SEP-IRAs, 403(b)(7) Custodial Accounts or for Money Purchase Pension and Profit Sharing accounts under a CGM Retirement Plan for which State Street Bank is the custodian or trustee.

The Fund will employ reasonable procedures to confirm that instructions received by telephone (including instructions with respect to changes in addresses) are genuine, such as requesting personal identification information that appears on your account application and recording the telephone conversation. You will bear the risk of loss due to unauthorized or fraudulent instructions regarding your account, although the Fund may be liable if reasonable procedures are not employed.

During periods of unusual market activity, severe weather or other abnormal circumstances, it may be

difficult for you to reach a representative of the Fund or CGM Shareholder Services by telephone. In this case, please consider sending written instructions.



DIVIDENDS, CAPITAL GAINS AND TAXES

Dividends and Capital Gains

Any income dividends and capital gains distributions are normally made annually in December but may be made more frequently as deemed advisable by the Board of Trustees.

You may elect to receive income dividends or capital gains distributions, or both, in additional shares of the Fund or in cash. However, if you elect to receive capital gains in cash, your income dividends must also be received in cash. Certain restrictions may apply to participants in CGM Retirement Plans.

You can elect to receive payments of cash dividends and capital gains distributions either by check or by direct deposit to a bank account that you have predesignated. These elections may be made at the time your account is opened and may be changed at any time by submitting a written request to CGM Shareholder Services or by calling 800-343-5678. However, changes in bank account information for direct deposits of cash dividends and capital gains distributions must be made through a Service Options Form. In order for a change to be effective for any dividend or distribution, it must be received by CGM Shareholder Services at least five days before the record date for such dividend or distribution.

If you elect to receive distributions in cash and checks are returned “undeliverable” or remain uncashed for six months, your cash election will be changed automatically and your future dividend and capital gains distributions will be reinvested in the Fund at the per share net asset value determined

as of the date of payment of the distribution. In addition, following the six-month period, any undeliverable or uncashed checks will be cancelled and the amounts will be reinvested in the Fund at the per share net asset value determined as of the date of cancellation of the checks. No interest will accrue on amounts represented by uncashed distribution or redemption checks.

Taxes

Taxation of Distributions. As long as the Fund qualifies for treatment as a regulated investment company (which it has in the past and intends to do in the future), it pays no federal income tax on the earnings it distributes to shareholders. You will normally have to pay federal income taxes, and any state or local taxes, on the distributions you receive from the Fund, whether you take the distributions in cash or reinvest them in additional shares. Distributions designated as capital gain dividends are taxable as long-term capital gains, regardless of how long you have owned your shares in the Fund. Other distributions are generally taxable as ordinary income. If a portion of the Fund’s income consists of dividends paid by U.S. corporations, a portion of the dividends paid by the Fund may be eligible for the corporate dividends-received deduction. To the extent that the Fund makes a distribution in excess of its current and accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing your tax basis in your shares, and then, to the extent the distribution exceeds your tax basis, as a taxable gain from the sale of your shares.

A distribution will be treated as paid by the Fund and received by you on December 31 of the current calendar year if it is declared by the Fund in October, November or December of that year with a record date in such a month and paid by the Fund in January of the subsequent year.

Fund distributions will reduce the Fund’s net asset value per share. Therefore, if you buy shares shortly before the record date of a distribution, you may

pay the full price for the shares and then effectively receive a portion of the purchase price back as a taxable distribution. The Fund will notify you annually as to the tax status of all distributions made by the Fund.

Foreign Taxes. If the Fund invests in foreign issuers, it may be subject to foreign taxes on income earned on those securities and most likely will not be eligible to elect to “pass through” such foreign income taxes to you. Therefore, you should not expect to be able to claim a foreign tax credit or deduction with respect to those taxes.

Disposition of Shares. The sale or other disposition of shares of the Fund, including a redemption of shares or an exchange of shares into another fund, is generally a taxable event and may result in a capital gain or loss which will be long-term or short-term, generally depending upon how long you held your shares. You are responsible for any tax liabilities generated by your transactions.

Backup Withholding. The Fund is required, in certain circumstances, to withhold at a rate of 31% on taxable dividends, capital gains distributions, and redemptions paid to individuals and certain other classes of shareholders if they fail to furnish the Fund with their correct taxpayer identification number and certain certifications regarding their tax status, or if they are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against a shareholder’s normal federal income tax liability.

General Information. The shareholder servicing agent will send you and the Internal Revenue Service an annual statement detailing federal tax information, including information about dividends and distributions paid to you during the preceding year. If you redeem or exchange shares in any year, following the end of the year, you may receive a statement providing the cost basis and gain or loss of each share lot that you sold during such year. Some restrictions apply. In limited circumstances,

your actual cost basis may differ from your CGM account cost basis. Your CGM account cost basis will be calculated using the “single category average cost method,” which is one of the four calculation methods allowed by the IRS. Shareholders of the Fund generally will receive these cost basis statements but only for accounts opened after January 1, 1991. For more information, please call 800-343-5678. Be sure to keep these statements as permanent records. A fee may be charged for any duplicate information that you request.

Dividend distributions, capital gains distributions and capital gains or losses from redemptions and exchanges may also be subject to state, local and foreign taxes. A portion of the Fund’s income derived from certain direct U.S. Government obligations may be exempt from state and local taxes. Each year the Fund will indicate the portion of the Fund’s income, if any, which is derived from such obligations.

The tax discussion set forth here is included for general information only. You should consult your own tax adviser concerning the tax consequences of an investment in the Fund.



PRICING OF SHARES

The share price or “net asset value” per share of the Fund is computed daily by dividing the total value of the investments and other assets of the Fund, less any liabilities, by the total outstanding shares of the Fund. The net asset value per share of the Fund is determined as of the close of the regular trading session of the New York Stock Exchange (normally 4 p.m. Eastern time) on each day the Exchange is open for trading. Portfolio securities are generally valued at their market value. In certain cases, market value may be determined on the basis of information provided by a pricing service approved by the Board of Trustees. Instruments with maturities of 60 days or less are valued at amortized cost, which approximates market value. Other assets and

securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees. The valuation of portfolio securities is more fully described in the SAI.

Trading may take place in foreign issuers held by the Fund on days when the Fund is not open for business. As a result, the Fund's net asset value may change on days on which it is not possible to purchase or sell shares of the Fund.

FINANCIAL HIGHLIGHTS

The following Financial Highlights table is intended to help you understand the Fund's financial performance since its inception. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been examined by PricewaterhouseCoopers LLP, independent accountants, whose report, along with the Fund's financial statements, is included in the Fund's Annual Report, which may be obtained from the Fund free of charge.

CGM FOCUS FUND

	For the Year Ended December 31,		For the Period September 3, 1997(a) through December 31,
	1999	1998	1997
For a share of the Fund outstanding throughout the period:			
Net asset value at beginning of period	\$ 9.71	\$ 9.38	\$10.00
Net investment income (loss)(b)	0.03	(0.07)(c)	(0.02)(c)
Dividends from net investment income	(0.03)	—	—
Net realized and unrealized gain (loss) on investments	0.79	0.40(d)	(0.60)
Net increase (decrease) in net asset value	0.79	0.33	(0.62)
Net asset value at end of period	<u>\$10.50</u>	<u>\$ 9.71</u>	<u>\$ 9.38</u>
Total Return (%) (e)	8.5	3.5	(6.20)(f)
Ratios:			
Operating expenses to average net assets (%)	1.21(h)	1.20	1.20(g)
Operating expenses to average net assets before expense limitation (%)	1.55	1.40	1.63(g)
Net income (loss) to average net assets (%)	0.23	(0.65)	(0.83)(g)
Portfolio turnover (%)	288	340	330(g)
Net assets at end of period (in thousands) (\$)	68,876	110,324	98,786
(a) Commencement of operations.			
(b) Net of reimbursement which amounted to	\$ 0.04	\$ 0.02	\$ 0.01
(c) Per share net investment loss does not reflect the period's reclassification of permanent differences between book and tax basis net investment loss.			
(d) The amount shown for a share outstanding does not correspond with the aggregate net gain/(loss) on investments for the period ended December 31, 1998, due to the timing of purchases and redemptions of fund shares in relation to fluctuating market values of the investments of the Fund.			
(e) The total return would have been lower had certain expenses not been reduced during the period.			
(f) Not computed on an annualized basis.			
(g) Computed on an annualized basis.			
(h) Includes the dividend expense on short sales which are excluded from the voluntary expense limitation of 1.20%.			